

Is the Metaverse the Future of the Internet?

The Investment Case for the Fount Metaverse ETF

Investors looking to invest in what may be the next major iteration of the internet may want to consider the Fount Metaverse ETF (MTVR).

The Fount Metaverse ETF seeks to provide investment results that, before fees and expenses, generally correspond to the performance of the Fount Metaverse Index. The index was designed to measure the performance of companies that develop, manufacture, distribute, or sell products related to metaverse technology.



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What is the metaverse?

What type of potential investment opportunity is afforded by metaverse technology companies? Why should investors consider the Fount Metaverse ETF to gain exposure to metaverse technology?

The word metaverse is made up of the prefix “meta,” meaning beyond, and the stem “verse,” a backformation from “universe.” The term typically describes the concept of a future iteration of the internet made up of persistent, shared, 3D virtual spaces linked into a perceived virtual universe. One major company involved in metaverse technology described it as a shared virtual 3D world, or worlds, that are interactive, immersive, and collaborative.

Generally, the metaverse is broken into four major components:

1 AUGMENTED REALITY

An interactive experience of a real-world environment where the objects that reside in the real world are enhanced by computer-generated perceptual information, sometimes across multiple sensory modalities including visual, auditory, haptic, somatosensory, and olfactory.

Some examples include:

- AR glasses that can allow the user to see the real environment around them but enriched with a virtual image
- Enhanced navigation systems that superimpose a route over the live view of the road
- The ability to see full descriptions of the businesses you encounter walking down the street
- Furniture and houseware retailers may allow you to see how furniture may look in your home
- The ability to preview what's inside a product without opening up a package
- In medical procedures, AR can display live organs and body parts over test dummies or live patients
- Computer audio answers your questions via an earpiece

These are just a few examples of augmented reality, but they highlight its potential to change the way that we view and interact with the world around us.

2 LIFE LOG

Lifelogging is the capture, storage, and distribution of everyday experiences and information for objects and people. This practice can serve as a way of providing useful historical and current status information, sharing unusual moments, or serving as a backup memory, guaranteeing that what a person sees or hears will remain available for later examination.

Some examples include:

- Wearables or mobile devices that tell you how far you've walked or run, give you your heart rate or blood pressure, or track your workout
- A gadget in your car that logs a memory of its recent visual states in the event of a crash
- A wallet that notified you if your credit cards were missing
- Lifelogs for your car, keys, and wallet
- Wearable surveillance devices to protect children from abduction or security-conscious adults in public

Lifelogging may help keep track of important activities, enhance individual security, and provide backup memory for events.

3 MIRROR WORLD

A mirror world is a representation of the real world in digital form. It attempts to map real-world structures in a geographically accurate way.

Examples include:

- Mapping functions that provide 2D and 3D representation of streets, cities, and countries
- Block View, which provides ground-level urban images to supplement online Yellow Pages
- 3D model construction software which can convert digital pictures and other inputs into 3D models
- Location and context-aware sensors that can create smart urban and rural environments and help with real-time navigation and autonomous driving
- Virtual town squares that can highlight your entertainment options, screen for movies or other events, and tell you which venues your friends are attending based on GPS-equipped phones

Mirror worlds may help us to navigate the world around us more efficiently.

4 VIRTUAL WORLD

A computer-simulated environment that may be populated by many users who can create a personal avatar, explore, participate in activities, and communicate with others.

Some examples include:

- Virtual entertainment – recently, a Travis Scott virtual event was attended by 27 million¹ and a Lil Nax X concert was attended by 33 million viewers²
- Virtual art exhibition
- Political rallies
- Virtual offices that may accommodate greater future remote work
- Immersive video games

Virtual worlds may break down the barriers between the digital and physical worlds.

What is the Potential Investment Size of the Metaverse?

As it is currently being built out, it is difficult to say what the metaverse will ultimately look like. Some components are already in place and will likely evolve to improve and increase functionality and to integrate with future platforms more fully. Additionally, new platforms and functionalities will likely be built. Therefore, it might be more helpful to think of the metaverse as an evolution and extension of the internet.

With that in mind, Bloomberg Intelligence estimates that the market size of the metaverse may reach \$800 billion by 2024³. However, that figure only estimates the market for the portion of the universe that reaches the end consumer. When factoring in companies that manufacture the chips and hardware, which will power and facilitate the various platform, as well as the networking companies that will supply the bandwidth, the size of the metaverse economy may reach trillions of dollars, according to Bloomberg.

MARKET
SIZE OF
\$800
BILLION
BY 2024³

Too Conservative?

When looking at the individual platforms that may grow to become the metaverse, it is easy to make the case that the \$800 billion estimate may be conservative.

- **Augmented Reality:** The augmented reality (AR) and virtual reality (VR) market size is expected to approach nearly \$300 billion by 2024 from around \$19 billion in 2020, according to Statista.⁴
- **Virtual Reality:** The virtual reality market by itself, estimated at 15.8 billion in 2020, is projected to grow at a compound annual growth rate (CAGR) of 18% during the 2021 through 2028 period, implying a potential market size of nearly \$60 billion.⁵
- **Life Log –** The wearables market, only a segment of the life log industry, is projected to grow from \$32.6 billion in 2019 to over \$100 billion by 2027, a CAGR of 15.9%.⁶

With the metaverse's potential to break down the boundary between the physical and digital world, companies may discover new ways to profit. For example, companies may sell their physical goods in the digital world, as well as sell digital goods and services. They may find new ways to advertise on these new platforms. And they may find new ways to capitalize on new technologies.

As a result, we believe that the metaverse may provide investors with a potentially attractive investment opportunity.



How may individuals gain access to the metaverse?

The Fount Metaverse ETF (MTVR) may provide investors with an attractive vehicle to gain exposure to companies that have the potential to capitalize on this emerging platform.

How will the fund aim to provide exposure to the metaverse?

Investment Process

The index which underlies the portfolio utilizes the following processes to select stocks for inclusion:

- Using standard industry classification systems and keywords, the index which underlies the fund seeks to identify companies that are likely to engage in the 4 components of the metaverse
- The index forecasts the 1 year forward revenue from metaverse technology related services or products by using a proprietary artificial intelligence algorithm.
- Only companies that are expected to derive more than 50% of their revenues from metaverse-related services or products are included in the index.
- Additional size and liquidity constraints are applied to ensure liquidity and tradability.
- The index employs a modified market capitalization by metaverse-related revenue.
- The top 50 securities by modified market cap are selected for inclusion in the index, and weighted by the market cap.
- The index is rebalanced annually.

Why Consider Investing in MTVR?

- The fund aims to provide focused exposure to companies that may be positioned to benefit from the expected growth in metaverse technology.
- The fund expects to hold companies that provide direct, end-consumer technologies rather than ancillary support services.
- The fund seeks to hold companies in the metaverse sub-industries that we expect have the greatest growth potential.
- The fund looks to hold companies that may be considered best-in-class metaverse companies from around the world.
- The fund may provide exposure to an industry still in its infancy.

Where MTVR May Fit in Your Portfolio

- Equity Exposure – The fund may be appropriate for a portion of your portfolio's equity exposure.
- Thematic Exposure – With its focus on the metaverse, the fund may be appropriate for your portfolio's thematic allocation.
- Growth Exposure – With its focus on a segment of the economy that we expect will experience rapid growth, the fund may be appropriate for your portfolio's allocation to growth.

We believe that the digital and physical worlds are converging into a segment of the world economy that may offer significant investment potential. As such, investors may want to consider an investment in metaverse technologies. The Fount Metaverse ETF (MTVR) may provide individuals with an attractive vehicle to gain exposure to the metaverse.

- ¹ Source: Fortnite's Twitter page
- ² Kastrenakes, Jacob, Lil Nax X's Roblox Concert Was Attended 33 Million Times, TheVerge, 11/16/20
- ³ Investing in the Metaverse, Bloomberg Intelligence, 7/1/21
- ⁴ Augmented Reality and Virtual Reality Market Size Worldwide from 2016 to 2020, Statista, Retrieved 8/18/21
- ⁵ Virtual Reality Market Size, Grandview Research, Retrieved 8/18/21
- ⁶ Wearable Technology Market Size, Grandview Research, Retrieved 8/18/21

Carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. This and additional information can be found in the Fund's full or summary prospectus, which may be obtained by visiting www.fountetfs.com. Read it carefully before investing or sending money.

Risk Disclosures:

Investing involves risk, including possible loss of principal. There is no guarantee the Fund will achieve its stated investment objectives. In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from social, economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. The Fund's concentration in an industry or sector can increase the impact of, and potential losses associated with, the risks from investing in those industries/sectors. The Fund is non-diversified. The Fund is new and has a limited operating history for investors to evaluate. New and smaller funds may not attract sufficient assets to achieve investment and trading efficiencies. In addition to the normal risks associated with investing, investments in smaller companies typically exhibit higher volatility.

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